

# *Comprehensive Review of FasTracks Status and Future Strategic Direction*

Colorado Transportation Finance and  
Implementation Panel

May 31, 2007

# *Overview*

Under the direction of the Board of Directors, staff has developed alternatives to complete the FasTracks program, given changes experienced in the cost of materials and revenue projections.

The recommended alternative provides opportunities for FasTracks to be built within the general scope, timeframe, and within the financial capacity afforded by the voters of the District in 2004.

## *FasTracks Challenges:*

- Revenue forecast decreases:
  - Sales and use tax collections below forecast
  - Forecasts of future revenues down
    - Future projections are subject to change as the program evolves and further actual experience is obtained.
- Capital cost increases:
  - Material, labor and ROW escalation
  - Third party requests/enhancements
  - Scope clarifications/changes

# *Total FasTracks Sales and Use Tax Forecasts - 2005-2030*



# *FasTracks Program Capital Cost Summary*

	\$2006	\$Inflated**
<b>Original FasTracks Costs</b>	<b>\$4.01B</b>	<b>\$4.72B</b>
<u>2007 Cost Updates</u>		
Material, Labor, ROW Escalation	+\$0.78B	+\$1.03B
Scope Changes & Cost Containment	+\$0.32B	\$0.42B
<b>Current Working Cost Estimate*</b>	<b>\$5.11B</b>	<b>\$6.17B</b>
<b><i>Net Change from Original Cost</i></b>	<b><i>\$1.10B</i></b>	<b><i>\$1.45B</i></b>

\* Current working cost estimate includes contingency of:

\$0.56B      \$0.68B

\*\* Current working cost estimate is inflated at Consumer Price Index (average of 3.4% per year); actual increases could be different.

# *FasTracks Program Budget Summary (\$Millions)*

Revenue Source	Original FasTracks Plan	2007 Forecast <sup>1</sup>	2007 Recommended Alternative <sup>2</sup>
Sales Tax Bonds	\$2,365.9	\$3,175.8	\$3,175.8
COPs	\$203.1	\$448.0	\$448.0
TIFIA Loan	\$142.7	\$212.2	\$212.2
Pay as You Go	\$985.0	\$108.5	\$108.5
Federal New Start	\$815.4	\$1,220.2	\$1,220.2
Federal Other	\$110.0	\$207.2	\$207.2
Local Contribution	\$95.0	\$127.5	\$127.5
Alternative Financing Strategies <sup>3</sup>	N/A	N/A	\$669.9
<b>Total Plan Revenues</b>	<b>\$4,717.1</b>	<b>\$5,499.4</b>	<b>\$6,169.3</b>
<b>Total Plan Costs</b>	<b>\$4,717.1</b>	<b>\$6,169.3</b>	<b>\$6,169.3</b>
<b>Funding Shortfall</b>	<b>\$0.0</b>	<b>(\$669.9)</b>	<b>\$0.0</b>

1. Assumes traditional financing (30-year sales tax bonds) and escalated construction costs.
2. Assumes potential savings of 10% of construction costs from public-private partnership opportunities, additional financing capacity through extended repayment schedule, and other value capture opportunities.
3. Alternative financing strategies are detailed on pages 10-12.

# *FasTracks Program Funding*

## *Details of Alternative Financing Strategies*

- Revised public-financed debt opportunities
  - Extend repayment period
  - Additional lease financing of assets (COP or master lease)
  - Additional use of TIFIA loan structures
- Public-private partnership opportunities
  - Project construction (Design/Build, DBFOM)
  - Contracted operations
  - Stations and parking
  - Transit-oriented development – value-capture

# *FasTracks Program Funding*

## *Details of Alternative Financing Strategies*

- Sale of excess RTD properties
- Advertising and vending opportunities
  - Stations
  - On-board vehicles
- Outside equity contributions to projects
- Additional state and/or local funding and partnerships
  - Senate Bill 1 funds
  - Local improvement districts (TIF, parking)
  - Third party funding for requested enhancements



# *FasTracks Program Funding*

## *Details of Alternative Financing Strategies*

- Ongoing cost containment and value engineering of the program and specific projects
- Accelerated construction schedule
- Early procurement of materials and vehicles

## *Strategies to Solve FasTracks Program Funding Gap*

- Based on materials received to date, approaches identified should solve FasTracks program funding gap
- Staff will not have detailed financial model assumptions until after public-private partnership advisor is selected in June 2007
- PPP proposals must be solicited and received before actual results can be quantified

# *FasTracks Program Alternatives*

- Option 1 – Build to Budget and Schedule; Reduce Scope
  - Pros:
    - Program remains at committed budget
    - Can be constructed within existing revenue forecasts and debt limits
  - Cons/Risks:
    - Increased materials costs will require major reductions in project scope
    - Could require additional scope reductions for future increases in material and labor costs
    - Will require shortening of corridors

# *FasTracks Program Alternatives*

- Option 2: Maintain Original Scope; Extend Schedule
  - Pros:
    - Consistent with original FasTracks scope
  - Cons/Risks:
    - Requires extended construction schedule to match cash flow
    - Corridor openings delayed
    - Continued cost escalation
    - Public expectations for program schedule not met
    - May require additional funding to complete program

# *FasTracks Program*

## *Recommended Alternative*

- Option 3: Maintain Original Project Scope and Schedule with Revised Budget and Financing
  - Pros:
    - Scope generally maintained
    - Schedule maintained
    - Can be achieved within the 4/10 cent voter approved measure
  - Cons/Risks:
    - Requires innovative project delivery and financing methods
    - Dependent on successful private sector partnership

# *Public-Private Partnerships (PPP)*

## *Benefits and Risks*

### Benefits:

- Lower construction and/or operating costs
- Financing opportunities available through private partners
- Cost savings to RTD due to options not available to public entity (e.g. depreciation on assets, joint development)
- Potential for reduced price risks with defined-cost contracts
- Accelerated completion of corridors
- May allow RTD to replace capital expenditure with operating expense
- FTA very receptive and supportive of PPP projects

### Risks:

- Adds complexity to FasTracks procurement and implementation processes
- Requires detailed project definition to maximize opportunities and minimize costs
- Will require operating contracts to specify:
  - Fare structure
  - Service schedules
  - Performance standards
  - Liquidated damages and/or penalties for non-compliance
  - Surety bonds and insurance
  - Ownership requirements
- Project must present an attractive investment opportunity for private partners
- Potential for higher long-term financing costs
- Will require RTD to perform contract monitoring and quality assurance

# *Summary*

The FasTracks program has experienced unforeseen changes in the cost of materials and revenue projections.

We have developed a comprehensive set of tools and strategies designed to address and mitigate the unexpected changes, and we fully expect to deliver the general scope and schedule of the FasTracks program within the financial capacity approved by the voters of the District in 2004.